HOG PROCUREMENT AGREEMENT

THIS HOG PROCUREMENT AGREEMENT dated as of ____________________, 19 97, is made and entered into by and between JOHN MORRELL & CO., a corporation incorporated and existing under the laws of the State of Delaware (hereinafter, "MORRELL"), and ______________________________, a corporation incorporated and existing under the laws of the State of ____________________ (hereinafter, "PRODUCER").

RECITALS:

A. Morrell owns and operates hog processing plants in Sioux Falls, South Dakota, Sioux City, Iowa, and in other locations.

B. Producer raises hogs on its own facilities and/or on facilities owned by others under agreement with Producer.

C. Morrell desires to secure and Producer desires to provide a dependable supply of quality hogs suitable for use at hog processing plants owned by Morrell.

NOW, THEREFORE, in consideration of the premises and the mutual benefits and covenants contained herein, the adequacy of which are hereby acknowledged, Producer agrees to deliver and sell, and Morrell agrees to accept and pay for, hogs of the quantity and quality hereinafter stated upon the following terms and conditions:

SECTION 1. DEFINED TERMS. Capitalized terms used herein without definition shall have the meanings given to such terms in Schedule A attached hereto and incorporated by reference herein.

SECTION 2. TERM. The Term of this Agreement shall be a period of ______________ (____) years commencing on ______________, ______ and ending on ______________, ______, subject to the renewal provisions set forth in Section ___ below and unless earlier terminated in accordance with the provisions hereof.

SECTION 3. QUANTITY.

(a) Morrell agrees to accept delivery and purchase from Producer, and Producer agrees to deliver and sell to Morrell, Producer's Total Production, subject to the following terms and conditions:

(i) Producer shall be obligated to deliver and sell to Morrell for any forty-eight (48) Delivery Weeks during each period of the Term and any renewed or extended term of this Agreement consisting of fifty-two (52) consecutive Delivery Weeks at least the number of Market Hogs determined by multiplying the Weekly Projected Total Production in effect for each Delivery Week by 80%. Notwithstanding the foregoing provisions of this Section 3(a)(i), Producer shall deliver and sell to Morrell during each Delivery Year at least the number of Market Hogs determined by multiplying the Annual Projected Total Production in effect for such Delivery Year by 90%. The parties acknowledge and agree that the provisions of this Section 3(a)(i) are intended by the parties to protect the interests of the Producer solely with respect to fluctuations of its production of Markets Hogs and are not intended by the parties to enable Producer to vary the number of Market Hogs delivered in any Delivery Week for any reason other than Producer's then current Total Production.

(ii) Morrell shall not be obligated to accept delivery and purchase from Producer during any Delivery Week more Market Hogs than the lesser of (w) the number of Market Hogs determined by multiplying the Weekly Projected Total Production in effect for such Delivery Week by 120% or (x) 2,000 Market Hogs. Notwithstanding the foregoing provisions of this subsection (ii), Morrell shall not be obligated to accept delivery and purchase from Producer during and Delivery Year more Market Hogs than the lesser of (y) the number of Market Hogs determined by multiplying the Annual Projected Total Production in effect for such Delivery Year by 110% or (z) 100,000 Market Hogs. Morrell shall be entitled at any time and from time to time after the date of this Agreement to revise the number of Market Hogs specified in (x) and (z) above by notifying Producer of the revision in writing at least two (2) weeks prior to its effective date.

(iii) Any Market Hogs available for sale and delivery by Producer in excess of the amount in subsection (ii) above may be sold by Producer to anyone else except as to those Market Hogs for which Morrell has exercised its Purchase Right as described in Section 3(c) of this Agreement.

(b) Producer hereby grants to Morrell the first right to purchase all of Producer's Total Production of Market Hogs in excess of the number of Market Hogs otherwise intended by Producer to be delivered and sold to Morrell under the terms of this Agreement. Producer represents and warrants to Morrell that it has, as of the date of this Agreement, no outstanding rights, options or other contractual obligations pursuant to which it is or may be obligated to sell Market Hogs to any person or entity other than Morrell at any time during the Term or any renewed or extended term of this Agreement and that Producer's grant to Morrell of the right described in this Section 3(b) does not violate, conflict with, or constitute a default under, the terms of any other agreement, commitment, instrument or understanding, written or oral, to which Producer is a party or Producer's Market Hogs may be bound . During the Term, Producer shall be entitled to sell, grant or otherwise convey such rights or options to other purchasers of Market Hogs, provided that in connection with each such sale, grant or other conveyance, Producer (1) gives prior written notice to Morrell, (ii) furnishes Morrell with true, accurate and complete copies of all documentation relating directly or indirectly to such sale, grant or other conveyance, and (iii) the documentation relating to such sale, grant or other conveyance expressly recognizes that the right or option being sold, granted or otherwise conveyed thereby is junior and subordinate to the right granted to Morrell by this Section 3(b). In order for Morrell to exercise the right described herein, Morrell shall notify Producer in writing of Morrell's decision to purchase additional Market Hogs, indicating the number (or stating "all") of the additional Market Hogs to be purchased and the time period for which the notice shall be effective. All such additional Market Hogs shall be then purchased under the same terms and conditions as those Market Hogs required to be sold by Producer under the terms and conditions of this Agreement. Nothing in this Section 3(b) shall be construed to require Producer to deliver or sell any Market Hogs to Morrell other than those that Producer has raised and has available for sale.

(c) Producer represents and warrants to Morrell that the Projection Certificate dated and effective as of the date on which this Agreement was executed and delivered by the parties is true, accurate and complete in all respects.

(d) Producer shall be entitled at any time and from time to time after the date of this Agreement (but not more than four (4) occasions during any period of the Term or any renewed or extended term of this Agreement consisting of 52 consecutive Delivery Weeks) to revise its projections concerning its Total Production of Market Hogs during the remainder of the Periods by preparing and delivery to Morrell a Projection Certificate at least two (2) weeks prior to its effective date. Upon Morrell's receipt of a Projection Certificate at any time and from time to time after the date of this Agreement, the projections included in such certificate shall supersede all prior projections.

(e) Notwithstanding the forgoing, Producer shall, on or before January 15 in each calendar year during the Term or any renewed or extended term hereof, prepare and deliver to Morrell a Projection Certificate that shall be effective as of January 1 in the year such certificate is prepared and delivered. This Projection Certificate shall not count as one of the four Projection Certificates permitted by Section 3(d).

SECTION 4. QUALITY. Producer agrees to raise and supply to Morrell top quality, healthy and wholesome hogs. Producer shall have a genetic program capable of producing lean, uniform sorted hogs that consistently meet the quality standards of Morrell in existence from time to time. Without limiting the generality of the foregoing, Producer represents and warrants to Morrell and agrees as follows:

(a) All deliveries of Market Hogs shall meet or exceed the specifications for weight, NPPC level, and average lean yield set forth on Schedule B attached hereto and incorporated by reference herein.

(b) No hogs shall be accepted for delivery pursuant to this Agreement that weigh less than two hundred ten (210) pounds or that are crippled, lame, sick, overfilled, or otherwise unmerchantable.

(c) Producer shall maintain Morrell-approved facilities to farrow and finish hogs year-round.

(d) Producer shall use a Morrell-approved feeding program and shall allow Morrell a reasonable opportunity upon prior written notice to inspect its hogs and facilities.

(e) Producer shall be supervised by a licensed veterinarian and shall properly administer all applicable drugs and follow all appropriate withdrawal procedures applicable thereto.

(f) Producer shall be on the Pork Quality Assurance Program, a HACCP program of America's Pork Producers, and shall be at Level III or working diligently to obtain Level III.

(g) Producer understands and acknowledges that, in light of the Term of this Agreement, industry standards for top quality, healthy and wholesome hogs may change over time. Morrell reserves the right upon reasonable written notice to Producer to modify or supplement the specifications set forth on Schedule B and the other standards of quality described herein and/or to establish additional standards of quality consistent with evolving industry standards for quality.

SECTION 5. DELIVERY AND SCHEDULE OF SHIPMENTS.

(a) Producer agrees to arrange with the Morrell hog buyer assigned to Producer, weekly hog deliveries to Morrell's Sioux City and Sioux Falls plants by the Thursday preceding the next Delivery Week. Unavoidable changes in that schedule will be permitted only by agreement between Morrell and the Producer reached at least twenty-four (24) hours before delivery.

(b) Morrell may require Producer to deliver to an alternate site within 200 miles of the Sioux Falls plant upon twenty-four (24) hours advance notice. Actual freight charge differentials resulting from delivery to other sites shall be paid by Morrell within ten (10) days of written notification by Producer. The parties shall mutually agree upon the freight charge differential in advance of any alternate site delivery.

(c) Inspection, sorting and weighing shall be performed by Morrell at the delivery location or the plant. Morrell reserves the right to reject any hog that is crippled, lame, sick, overfilled, or otherwise unmerchantable, or that is otherwise not in compliance with the specifications and other standards of quality contained in Section 4 of this Agreement.

(d) Morrell shall keep all necessary records with respect to the receipt, weighing, and payment of all livestock in accordance with its regular record retention and destruction schedule. Producer may inspect such records during normal business hours at locations designated by Morrell on reasonable notice by Producer to Morrell. Morrell shall supply copies of such records as Producer may reasonably request at Producer's expense.

(e) Title and risk of loss on the hogs shall pass from Producer to Morrell upon slaughter of the hogs at Morrell's plant.

(f) Producer and Morrell shall consult with each other concerning any temporary inability to take or deliver weekly deliveries.

SECTION 6. VERIFICATION OF HOG QUANTITY AND QUALITY.

(a) Morrell will permit Producer a reasonable number of scheduled visits to Morrell's plants during normal operating hours to observe the handling and processing of the hogs delivered under this Agreement so long as prior notice is given to Morrell, and provided that such visits do not unreasonably interfere with the operation of such facilities.

(b) Producer will permit Morrell a reasonable number or scheduled visits to Producer's facilities during normal operating hours to observe and monitor production and quality so long as prior notice is given to Producer, and provided that such visits do not unreasonably interfere with the operation of such facilities. Producer agrees to provide Morrell on request reasonable information relating to its production management practices.

SECTION 7. PRICE. The price payable by Morrell for Market Hogs delivered by Producer and accepted by Morrell under this Agreement shall be the price determined in accordance with Schedule C attached hereto and incorporated by reference herein. The price shall be payable within five (5) business days of delivery. If Morrell fails to make a required payment within such five-day period, Producer may suspend deliveries of hogs hereunder, but the exercise of such right shall be in addition to any and all other remedies available to Producer under this Agreement.

SECTION 8. DEFAULT.

(a) *Producer Defaults.* Any of the following events or circumstances shall constitute a default of this Agreement by Producer:

(i) a material failure by Producer to perform any of its obligations under Section 3(a) (i); or

(ii) the failure by Producer to meet any ten (10) week average live weight and yield requirement specified on Schedule B; or

(iii) the failure of Producer to perform any other obligation under this Agreement and the failure of Producer to cure such failure within thirty (30) days following receipt of written notification of such default from Morrell; or

(iv) Producer shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any action to authorize any of the foregoing; or

(v) an involuntary case or other proceeding shall be commenced against Producer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days, or an order for relief shall be entered against Producer under the federal bankruptcy laws as now or hereafter in effect; or

(vi) the withdrawal by Producer from the hog production business.

(b) *Termination by Morrell Following Producer Default.* Upon the occurrence of any of the events described in Section 8(a)(i) through (vi) above, Morrell, in addition to all of its other rights and remedies under applicable law (including, without limitation, the rights and remedies of a buyer under the Uniform Commercial Code), may terminate this Agreement by providing written notice to Producer. The termination shall be complete upon receipt of notice by Producer.

(c) *Morrell Defaults.* Any of the following events or circumstances shall constitute a default of this Agreement by Morrell:

(i) a material failure by Morrell to perform any of its obligations under Section 3(a) (ii); or

(ii) the failure of Morrell to perform any other obligation under this Agreement and the failure of Morrell to cure such failure within thirty (30) days following receipt of written notification of such default from Producer; or

(iii) Morrell shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any action to authorize any of the foregoing; or

(iv) an involuntary case or other proceeding shall be commenced against Morrell seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days, or an order for relief shall be entered against Morrell under the federal bankruptcy laws as now or hereafter in effect.

(d) *Termination by Producer Following Morrell Default.* Upon the occurrence of any of the events described in Section 8(c)(i) through (iv) above, Producer, in addition to all of its other rights and remedies under applicable law (including, without limitation, the rights and remedies of a seller under the Uniform Commercial Code), may terminate this Agreement by providing written notice to Morrell. The termination shall be complete upon receipt of notice by Morrell.

(e) *Withdrawal By Morrell.* In the event Morrell permanently withdraws from the hog slaughter business in either Sioux Falls, South Dakota or Sioux City, Iowa Morrell may terminate this Agreement by providing written notice to the Producer. The termination shall be complete upon receipt of notice and shall not constitute an event of default hereunder.

(f) *Effect of Termination.* Termination of this Agreement shall not relieve any party of any liability accrued or for any breach or event of default hereunder, nor affect the continued operation or enforcement of any provision of this

Agreement which by its terms is to survive termination. Nothing herein shall prevent any party from seeking specific performance or damages for breach in respect of any right or obligation contained in this Agreement. The rights and remedies set forth in this subsection are non-exclusive and shall be in addition to any other rights or remedies that may otherwise be available at law or equity.

SECTION 9. RIGHT TO SELL HOGS TO OTHER PARTIES. Notwithstanding any other provision of this Agreement to the contrary, at any time Morrell refuses to accept delivery or fails to pay for hogs delivered under this Agreement, Producer shall have the right to sell said hogs on the open market to a third party.

SECTION 10. FORCE MAJEURE.

(a) Neither party shall be liable for failure to perform or delay in performing any act hereunder if such performance is rendered impossible by reason of matters beyond the reasonable control of the party, including but not limited to acts of God, strikes, lockouts, picketing, wars, blockades, riots, disease, epidemics, fire, storms, floods or explosion. These actions shall include but not be limited to:

(i) A failure to settle or prevent any strike or controversy with employees or with anyone purporting or seeking to represent employees shall be considered a matter beyond the reasonable control of the party affected under this subsection, provided such strike affects such party's performance of the requirements of this Agreement; and

(ii) Any inability of Producer to supply hogs due to an outbreak of disease, or failure to receive sufficient weaning pigs, or governmental action limiting or stopping production.

(b) Once performance becomes commercially possible, the responsibilities and obligations of the parties shall resume again with full force and effect. Where either party claims an excuse for non-performance under this Section 10, it shall give prompt telephonic notice, promptly thereafter confirmed by written notice of the occurrence and estimated duration of the event giving rise to such excuse to the other party; and it shall give prompt written notice when such event has been remedied and performance can re-commence hereunder.

SECTION 11. NOTICES. All notices required or permitted to be given hereunder, unless otherwise specified, shall be in writing and shall be deemed properly given when delivered in person to the party to be notified, or when sent by courier service, costs prepaid, or when sent by fax, to the party to be notified, at its address set forth below, or such other address within the continental United States of America as the party to be notified may have designated prior thereto by written notice to the other:

(a) If to Morrell:

John Morrell & Co.
805 East Kemper Road
Cincinnati, OH 45246
Attention : President
Fax: (513) 346-7552

with copies to:

Smithfield Foods, Inc.
900 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510
Attn: Corporate Counsel
Fax: (757) 365-3023

and

John Morrell & Co.
P.O. Box 5266
Sioux Falls, SD 57117
Attn: Mr. Dave Poppen
Fax No. (605) 330-3167

(b) If to Producer:

SECTION 12. WAIVERS. Failure of Morrell or Producer to insist upon strict performance of any of the terms and conditions hereof, or failure or delay to exercise any right or remedies provided herein, or by law, or to properly notify either party in the event of a breach or the acceptance of payment for any of the warranties or obligations of this Agreement, and shall not be deemed a waiver of any right by either party to insist upon strict performance hereof, or any of its rights or remedies as to any such goods regardless when shipped, received or accepted, or as to any prior or subsequent default hereunder, nor shall any purported oral modification operate as a waiver of any of the Agreement terms.

SECTION 13. INTERPRETATION AND ASSIGNMENT.

(a) The section and subsection headings in this Agreement are for convenience only, and shall not be considered a part of or used in the interpretation of this Agreement.

(b) The Exhibits and Schedules referred to herein and attached hereto shall be considered a part of this Agreement as if they were set forth in full in the body of this Agreement.

(c) Subject to Morrell's approval, any successor to the interest of Producer and the hog farming operation from which the hogs contracted for under this Agreement are supplied shall be fully responsible to continue to fulfill Producer's obligations and commitments hereunder.

(d) Any assignment, sale or transfer of Producer's interest in the hog farming operation must include notice to the assignee that the assignment/transfer is subject to the terms and conditions of this Agreement, a copy of which shall be provided to the assignee. The obligations of this provision shall also apply with equal force to the transfer of Producer's interest to their successors and assigns.

SECTION 14. CONFIDENTIALITY. The parties acknowledge and agree that in connection with, or as a result of, this Agreement, each party may be furnishing the other party with certain information which is either non-public, confidential or proprietary in nature. Each party's non-public, confidential or proprietary information will be kept confidential by the other party and shall not, without prior written consent, be disclosed by the other party to any other person or entity or be used by the other party for any purpose other than in connection with this Agreement. For purposes of this Section 14, the term "non-public, confidential or proprietary information" shall not include information which (A) is or becomes generally available to the public other than as a result of a breach of these conditions, (B) is or becomes known or available to the other party on a non-confidential basis and not in contravention of applicable law from any third party source, or (C) the other party is ordered or required to disclose by any applicable law or competent judicial, governmental or other authority. This Section 14 shall survive the expiration of the Term or any renewed or extended term hereof or earlier termination of this Agreement.

SECTION 15. MISCELLANEOUS.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement may be assigned or transferred by Morrell to any successor or transferee of Morrell's applicable business or affairs. It may not be otherwise assigned or transferred by Morrell, or assigned or transferred by Producer, without the prior written consent of the other party.

(b) The provisions contained herein, and in any addendum hereto executed by the parties hereto, constitute all of the terms and conditions of this Agreement and supersede any and all prior agreements and understandings, written or oral. No changes or additions hereto shall be binding upon either party unless in writing and signed by an authorized representative of each party.

(c) Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration according to the rules, then obtaining, of the American Arbitration Association or such other rules as it may designate. The American Arbitration Association is hereby authorized to make arrangements for any such arbitration to be held under such rules in Cincinnati, Ohio, unless the parties hereto agree upon some other location for the arbitration. This Agreement to arbitrate shall be enforceable, and the judgment upon any award rendered by all or a majority of the arbitrators may be entered, in any court of any country having jurisdiction.

(d) This Agreement, the relationship of the parties, and all of their respective rights and obligations shall be construed and interpreted in accordance with the laws of the State of Ohio, without giving effect to the principles of conflict of laws thereof.

(e) Each of the parties to this Agreement represents that it has full authority to enter into and perform all of its obligations under this Agreement.

(f) Morrell and Producer agree that the relationship between them is that of independent contractors. Nothing in this Agreement shall be deemed to constitute an appointment of either Producer or Morrell as agent, representative, partner, joint venture or employee of the other party. Neither Producer nor Morrell shall have, nor shall either represent itself as having, any right, power or authority to create any agreement or obligations, either express or implied, on behalf of, in the name of, or binding upon the other party, or to pledge the other's credit or to extend credit in the other's name unless the other party shall provide advance written consent thereto.

(g) The language in all parts of this Agreement shall in all cases be construed as a whole according to its fair meaning, strictly neither for nor against any party hereto, and without implying a presumption that the terms thereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be construed more strictly against the person who itself or through its agent prepared the same, it being agreed that representatives of both parties have participated in the preparation hereof.

(h) This Agreement shall not be exclusive to Producer, but instead may be offered by Morrell to other qualified, like-situated producers.

(i) Each of the parties hereto agrees to indemnify and hold the other party harmless from and against any and all loss, cost, liability, damage or expense, including, without limitation, reasonable attorneys' fees and disbursements caused or arising from, or in connection with, any breach by such party of any obligation arising under this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

JOHN MORRELL & CO.

By: ______________________________

Title: ______________________________

ACCEPTED AND AGREED TO
BY PRODUCER:

X ______________________________
Producer

By: X ______________________________
Signature

Name:

Title:

SCHEDULE A

DEFINED TERMS

"Agreement" means this Agreement, as the same may be modified, supplemented or otherwise amended from time to time.

"Annual Projected Total Production" means with respect to any Period, the Projected Total Production amount specified for such Period on the Projection Certificate then in effect.

"Delivery Week" means each calendar week during the Term or any renewed or extended term hereof beginning at 12:01 A.M. on Monday and ending at 11:59 P.M. on the following Sunday.

"Delivery Year" means each period of the Term and any renewed or extended Term hereof consisting of fifty-two consecutive Delivery Weeks.

"Market Hogs" means hogs meeting each of standards of quality set forth or otherwise described in Section 4 of the Agreement (including, without limitation, the specifications set forth on Schedule B attached to the Agreement and incorporated by reference in Section 4 .

"Morrell" means John Morrell & Co., a Delaware corporation, or any successor or assignee of such corporation.

"Period" means each period set forth on a Projection Certificate.

"Producer" means the corporation, partnership, or other entity so defined on page 1 of the Agreement.

"Projection Certificate" means each certificate prepared and delivered by Producer to Morrell pursuant to subsection (I) or subsection (ii) of Section 2(d) of the Agreement, each of which shall be substantially in the form attached hereto as Exhibit 1.

"Term" means the period of time during which the Agreement shall remain in effect, as specified in Section 2 of the Agreement.

"Total Production" means all Market Hogs produced by Producer and all Market Hogs produced by other producers under Producer's direction or control that Producer has the right to sell.

"Weekly Projected Total Production" means with respect to any Delivery Week in any Period, the Annual Projected Total Production for such Period divided by the number of whole Delivery Weeks remaining in such Period.

SCHEDULE B

CERTAIN MARKET HOG SPECIFICATIONS

- Hogs will meet a weekly average/load live weight range of 230-260 pounds, with a 73.0% average carcass yield over a ten-week period.
- Hogs will be NPPC Level 1 or higher.
- Hogs will provide average lean yield of 48.0%.

SCHEDULE C

PRICING: LEDGER CONTRACT TERMS

PART I. DEFINED TERMS USED IN THIS SCHEDULE. As used in this Schedule C, the following terms shall have the following meanings:

(a) The term "Cost Index" shall mean ten (10) times the sum of the following:

(i) the average of the closing (settle) price of the nearby corn futures contract (as reported by the Chicago Board of Trade, 5,000 bu., cents per bu.) on each trading day in the preceding calendar month, plus

(ii) the average of the closing (settle) price of the nearby soybean meal futures contract (as reported by the Chicago Board of Trade, 100 tons, dollars per ton) on each trading day in the preceding calendar month,

as determined on latest Cost Index Adjustment Date. By way of illustration, if the average closing (settle) price of the nearby corn futures contract during June 1996 was $361.50 and the average closing (settle) price of the nearby soybean meal futures contract during June 1996 was $246.70, then as of July 1, 1996, the Cost Index would be 6082 (i.e., ($361.50 + $246.70) x 10). Notwithstanding the foregoing, for purposes of this Agreement, the Cost Index shall not be less than 5000 or greater than 7500.

(b) The term "Contract Floor Price" shall mean:

$$\$40.00/\text{cwt.} + \frac{\text{Cost Index} - 5000}{250}$$

as determined on the applicable delivery date. By way of illustration, if the Cost Index in effect on a delivery date is 6082, then the Contract Floor Price on such date is $44.328/cwt. (i.e., $40.00/cwt. plus (6082 - 5000)/250).

(c) The term "Index Adjustment Date" shall mean the first day of January, March, May, July, September, and November of any year during the term of the Agreement.

(d) The term "Market Price" shall mean the average of the practical top plant delivered bid price per live cwt. at the midsession of the market for the Iowa/Southern Minnesota #1-3 Barrow/Gilt for 220-260 pound butcher hogs, as reported by the USDA Market News Service, or any replacement thereof or successor thereto, during the day of delivery. In the event there is no reporting by the USDA Market News Service for the day of delivery, then the Market Price shall be that established during the most recent USDA Market News Service report prior to the day of delivery. Notwithstanding the foregoing, Morrell reserves the right from time to time during the term of this Agreement to select any other basis for determining Market Price consistent with standards for the meat industry.

PART II. PRICE. The price payable by Morrell for Market Hogs delivered by Producer and accepted by Morrell under this Agreement shall be the price per cwt. with respect to each delivery of Market Hogs determined by Morrell taking into account the pricing components specified below:

(a) If the Market Price is equal to or less than the Contract Floor Price, then Morrell shall pay Producer the Contract Floor Price.

(b) If the Market Price is greater than the Contract Floor Price, then Morrell shall pay Producer (i) an amount equal to the Contract Floor Price plus 80% of the difference between the Market Price and the Contract Floor Price, whenever the Current Ledger Amount (as defined in Part III of this Schedule C) is less than the Maximum Ledger Amount (as defined in Part III of this Schedule C), or (ii) if clause (i) of this sentence does not apply, an amount equal to the Market Price.

(c) The amount determined by paragraph 2(a) or 2(b) above shall be increased or decreased, as the case may be, to give effect to pricing premiums or discounts specified in the John Morrell & Co. Grade & Yield Program as in effect on the delivery date. Morrell reserves the right at any time and from time to time during the term of this Agreement, including any extension or renewal thereof, to amend, supplement or otherwise modify its Grade & Yield Program for any reason it deems necessary or desirable to reflect changing market conditions or other trends in the meat industry generally.

PART III. MAINTENANCE OF LEDGER ACCOUNT. During the term of this Agreement, Morrell will maintain a separate ledger account for Producer. At the beginning of the term, such account will have a zero balance. With respect to each delivery of Market Hogs by Producer hereunder, the ledger account will be (i) increased by 20% of the aggregate amount, if any, by which the Market Price of such hogs purchased by Morrell exceeds the Contract Floor Price, or (ii) decreased by

100% of the aggregate amount, if any, by which the Market Price of such hogs purchased by Morrell is less than the Contract Floor Price. No interest shall accrue on the outstanding balance of the ledger account. The outstanding balance of the ledger account at any time is sometimes hereinafter referred to as the "Current Ledger Amount." Notwithstanding any provision of this Part III to the contrary, the Current Ledger Amount shall at no time be permitted to exceed an amount (the "Maximum Ledger Amount") equal to the product of (i) the highest Annual Projected Total Production amount for any Period specified on the Projection Certificate then in effect, times (ii) $5.00/head. By way of illustration, if Producer's highest Annual Projected Total Production amount for any Period specified on his Projection Certificate is 50,000 hogs, then the Maximum Ledger Amount applicable to Producer would be $250,000.

PART IV. EXPIRATION AND RENEWAL.

(a) Except as provided in Part IV(c) below, at the end of the term of this Agreement (including any extended term), if the Current Ledger Amount is greater than zero, then Morrell will pay such amount to Producer in cash, without interest, within thirty (30) days following this Agreement's expiration date; provided, however, that if the Current Ledger Amount is greater than $50,000, then Morrell shall have the right to extend the term of this Agreement for an additional two (2) years by delivering written notice of extension (the "Extension Notice") to Producer within thirty (30) days following the Agreement's expiration date. Notwithstanding the foregoing, if Morrell delivers the Extension Notice, Producer may terminate this Agreement (and the term hereof shall not be extended) if Producer notifies Morrell within five (5) business days following its receipt of the Extension Notice that Producer does not wish to extend the term. In the event that Producer so terminates this Agreement, then Producer shall forfeit its right to receive the Current Ledger Amount.

(b) Except as provided in Part IV(c) below, at the end of the term of this Agreement (including any extended term), if the Current Ledger Amount is less than zero, then Producer will pay such amount to Morrell in cash, without interest, within thirty (30) days following this Agreement's expiration date; provided, however, that if the Current Ledger Amount is less than minus $50,000, then Producer shall have the right to extend the term of this Agreement for an additional two (2) years by delivering the Extension Notice to Morrell within thirty (30) days following the Agreement's expiration date. Notwithstanding the foregoing, if Producer delivers the Extension Notice, Morrell may terminate this Agreement (and the term hereof will not be extended) if Morrell notifies Producer within five (5) business days following its receipt of the Extension Notice that Morrell does not wish to extend the term. In the event that Morrell so terminates the Agreement, then Morrell shall forfeit its right to receive the Current Ledger Amount.

(c) (i) In the event that Producer terminates the Agreement pursuant to Section 8(d) (following the occurrence of an event of default by Morrell), then, (A) if the Current Ledger Amount is greater than zero, Morrell will pay such amount to Producer in cash, without interest, within thirty (30) days following the date of termination, or (B) if the Current Ledger Amount is less than zero, Producer will pay such amount to Morrell, in cash, without interest, in equal monthly installments over the remaining months of the term in effect immediately before such termination, subject to Producer's right to offset against such amount the damages, if any, to which Producer may be entitled under the Uniform Commercial Code.

(ii) In the event that Morrell terminates this Agreement pursuant to Section 8(b) (following the occurrence of an event of default byProducer), then, (A) if the Current Ledger Amount is less than zero, Producer will pay such amount to Morrell in cash, without interest, within thirty (30) days following the date of termination, or (B) if the Current Ledger Amount is greater than zero, Morrell will pay such amount to Producer, in cash, without interest, in equal monthly installments over the remaining months of the term in effect immediately before such termination, subject to Morrell's right to offset against such amount the damages, if any, to which Morrell may be entitled under the Uniform Commercial Code.

(iii) In the event that Morrell terminates this Agreement pursuant to Section 8(e) (following a permanent withdrawal by Morrell from the hog slaughter business in either Sioux Falls, South Dakota or Sioux City, Iowa), then, (A) if the Current Ledger Amount is greater than zero, Morrell will pay such amount to Producer in cash, without interest, within thirty (30) days following the date of termination, or (B) if the Current Ledger Amount is less than zero, Producer will pay such amount to Morrell, in cash, without interest, in equal monthly installments over the remaining months of the term in effect immediately before such termination.

Exhibit 1

Projection Certificate

This Projection **Certificate is one of the Projection Certificates referred to in the Hog** Procurement **Agreement ("the Agreement") dated as of ________________, ______, between** John Morrell & Co. **and ______________________________. Capitalized terms used in this** Certificate without **definition have the same meanings ascribed to them as of the date** hereof in the **Agreement. The undersigned hereby certifies that the following represents** its good faith **projections concerning its Annual Projected Total Production of Market Hogs** during the Periods **set forth below. The effective date of this Certificate shall** be____________________.

Period	Projected Total Production
~~October 1, 1996 to December 31, 1996~~	
10-7 ~~January 1,~~ 1997 to December 31, 1997	
January 1, 1998 to December 31, 1998	
January 1, 1999 to December 31, 1999	
January 1, 2000 to ~~December~~ 31, 2000 10-7	

In Witness Whereof, the undersigned has executed and delivered this Projection Certificate on the ____day of ________ _____, 19___.

BY: X______________________________

NAME: X______________________________

TITLE: X______________________________

JOHN MORRELL & CO

CONFIDENTIAL - OUTLINE

LEDGER HOG CONTRACT

* Ledger contract is based on cost index.
* Cost index is the sum of nearby CBOT corn futures and soymeal futures.
* Cost index sets the floor price.
* Floor price is set based on monthly average futures close.
* Index has an upper and lower limit.

Index	Contract Floor Price
7500	50.0
7250	49.0
7000	48.0
6750	47.0
6500	46.0
6250	45.0
6000	44.0
5750	43.0
5500	42.0
5250	41.0
5000	40.0

Ex:	July Corn	5100
	July Meal	2450
	TOTAL	7550

* Upper Limit: 7500 that is equal to ~~48.0~~ 50.0/cwt.
* Based Hog Price: Iowa & Southern Minnesota plant delivered average.

P.O. BOX 5266, SIOUX FALLS, SOUTH DAKOTA 57117-5266 605/338-8200

- If base hog price above the contract floor price:

  20% of the difference is accrued towards ledger payment.

  Payment: Floor Price + (Base hog price- floor price)*.80

  Eg: Base hog price: $60/cwt & Floor price: $48/cwt.

  Payment: 48 + (12*.80) = $57.6/cwt.

- If base hog price is lower than contract floor price:

  Payment will be floor price.

- Contract terms: 5 years + optional two year renewal till accrual is close to zero.
- Grade & yield premium is paid over market base.
- Lean percent should be above 48%.
- Number of hog contracted under this program is fixed during the duration of the program.
- If net accrual at the end of 5 years is positive, producer & packer have the option for 2 year renewal or producer is paid lump sum of the accrual.
- If net accrual is negative, packers have the option of automatically renewing the contract till the accrual is zero or producer has to pay a lump sum to the packer to end the contract terms.

ADDENDUM TO
HOG PROCUREMENT AGREEMENT DATED ____________, 1997
BETWEEN JOHN MORRELL & CO. ("Morrell") AND

____
("Producer")

THIS ADDENDUM dated ____________________________, 1997, amends and supplements that certain Hog Procurement Agreement of even date herewith between Morrell and Producer (the "Agreement").

WITHDRAWAL BY MORRELL. Section 8(e) of the Agreement is hereby amended and restated to read in its entirety as follows (deletions appear as ~~struck out~~ and insertions appear as double-underlined):

> "(e) *Withdrawal by Morrell.* In the event Morrell permanently withdraws from the hog slaughter business in ~~either~~ both Sioux Falls, South Dakota ~~or~~ and Sioux City, Iowa, Morrell may terminate this Agreement by providing written notice to the Producer. The termination shall be complete upon receipt of notice and shall not constitute an event of default hereunder."

Similarly, Paragraph (c)(iii) of Part IV of Schedule C of the Agreement is hereby amended and restated to read in its entirety as follows (deletions appear as ~~struck out~~ and insertions appear as double-underlined):

> "(iii) In the event that Morrell terminates this Agreement pursuant to Section 8(e) (following a permanent withdrawal by Morrell from the hog slaughter business in ~~either~~ both Sioux Falls, South Dakota ~~or~~ and Sioux City, Iowa), then, (A) if the Current Ledger Amount is greater than zero, Morrell will pay such amount to Producer in cash, without interest, within thirty (30) days following the date of termination, or (B) if the Current Ledger Amount is less than zero, Producer will pay such amount to Morrell, in cash, without interest, in equal monthly installments over the remaining months of the term in effect immediately before such termination.

MAXIMUM LEDGER AMOUNT. The last two sentences of Part III of Schedule C of the Agreement are hereby amended and restated to read in their entirety as follows (deletions appear as ~~struck out~~ and insertions appear as double-underlined):

__LEDGER ACCOUNT INCREASES__. The third sentence of Part III of Schedule C of the Agreement is hereby amended and restated in its entirety to read as follows (deletions appear as ~~struck out~~ and insertions appear as __double-underlined__):

"With respect to each delivery of Market Hogs by Producer hereunder, the ledger account will be (i) increased by ~~20%~~ __50%__ of the aggregate amount, if any, by which the Market Price of such hogs purchased by Morrell exceeds ~~the Contract Floor Price~~ __$50.00/cwt.__, or (ii) decreased by 100% of the aggregate amount, if any, by which the Market Price of such hogs purchased by Morrell is less than the Contract Floor Price.

__OTHER AGREEMENTS__. Notwithstanding the second sentence of Section 3(b) of the Agreement to the contrary, the parties acknowledge and agree that has entered into an agreement with Hormel Foods obligating to produce and sell to Hormel Foods not more than 5,000 hogs per year through September 1999.

This Addendum, upon execution by the parties, shall become an integral part of the Agreement, which as hereby amended, remains in all other respects in full force and effect.

MORRELL:

By: ______________________

Title: ______________________

PRODUCER:

By: X ______________________

Title: X ______________________